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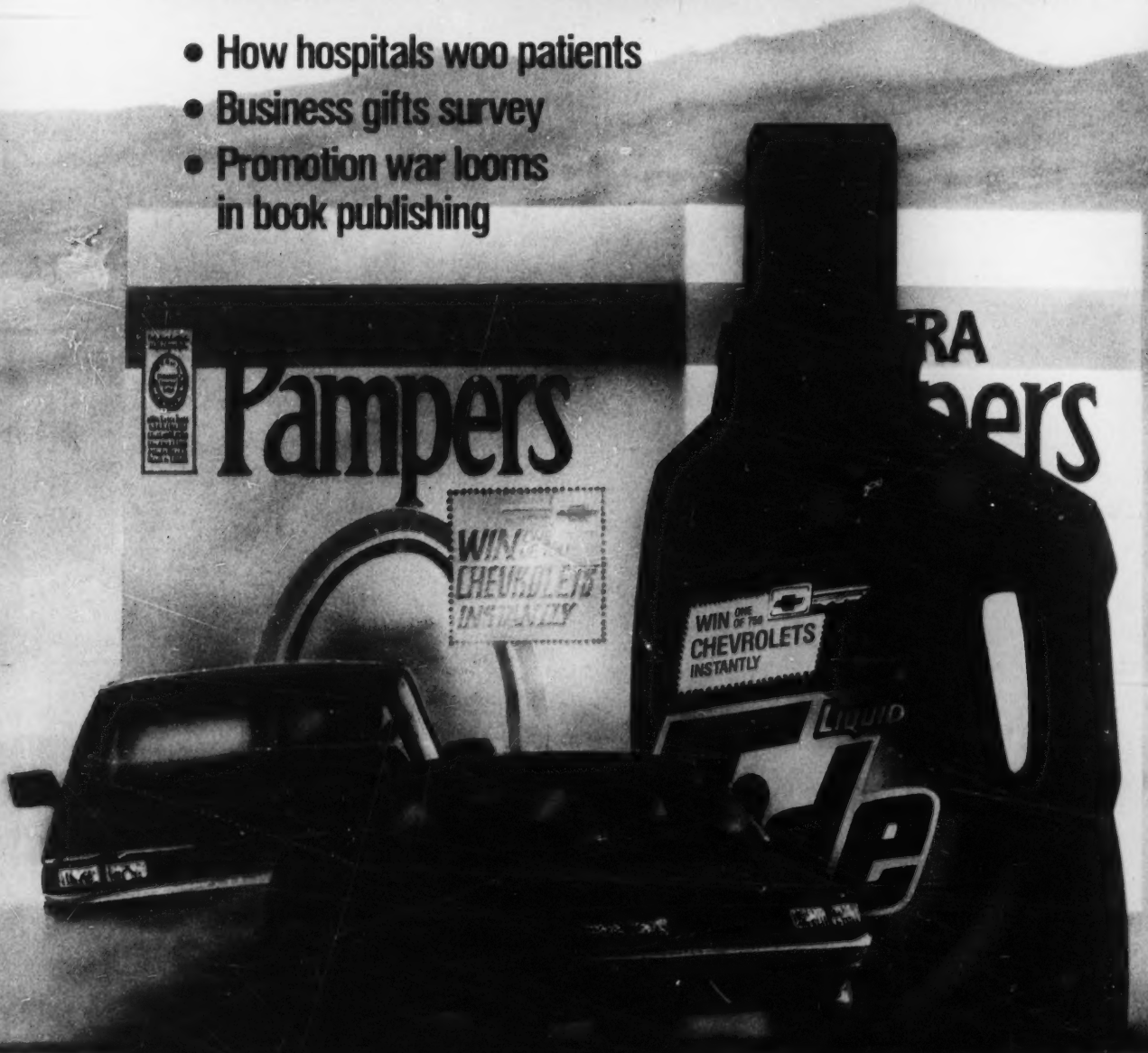
JULY 1987

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

- How hospitals woo patients
- Business gifts survey
- Promotion war looms in book publishing



New Product Roll-Outs

INCENTIVE MARKETING • NEW PRODUCT ROLL-OUTS • BUSINESS GIFTS • JULY 1987

INCENTIVE MARKETING

JULY 1987 83rd Year, Vol. 161, Number 7

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FACTS UPDATE

Business gifts are not just for Christmas anymore: Surveyed executives find increased occasion for giving at such events as plant visits and sales meetings.

Christmas is still the biggest date on the business gift calendar, but its dominance has slipped. Increasingly, executives are finding new gift occasions 12 months a year.

In the 1970's, Christmas giving was the rule for 80 to 85 percent of surveyed executives, with just a smattering of activity at other times. Last year, the preference for Christmas was down to 67 percent. Different holidays crept up in popularity, but "other" occasions showed the largest growth.

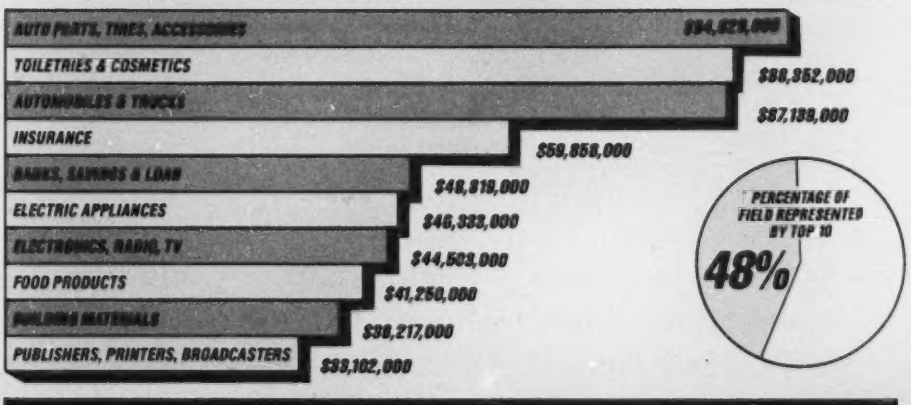
This year's business gifts survey finds a bit more Christmas spirit —70 percent of respondents give then. But the "other" category has increased even more, up to 48 percent from 40 percent a year ago. Remaining gift-giving occasions include: company anniversary, 10 percent; birthdays, 7 percent; Thanksgiving, 4 percent, and New Year's, 3 percent.

Among the other occasions noted by executives are plant and office visits, trade shows, seminars and sales meetings, employee outings, safety campaigns, key sales calls, closing of an order, birth of a child, annual meetings, product introductions, special promotions, length of service, thanks for referrals, board meetings, incentive trips and "whenever I feel like it."

Spending for gifts on all of these occasions in 1986 was estimated at $1.21 billion, about 2.7 percent more than U.S. companies spent the year before. Earlier last year, a special survey group had predicted much larger growth—around 11 percent. But growth in most industries was offset by cutbacks in the automotive business. Auto parts makers, the largest gift buyers, decreased spending by almost 9 percent. Car manufacturers, the third largest of the gift givers, spent 5.7 percent less. (See accompanying chart for expenditures by top 10 industries.)

About 26 percent of respondents in the current survey said they tried to reduce total expenditures during the past two years. Of those, 35 percent reduced the number of recipients, 26 percent

TOP 10 BUSINESS GIFT USERS (1986)



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cut the amount spent for individual gifts, 38 percent used a combination of both approaches, and 1 percent discontinued their gift programs.

Who makes buying decision?

Top management	63%
Sales/marketing management	23%
Advertising/promotion management	10%
Product/merchandising management	4%

When are gifts ordered?

January	9%
February	7%
March	10%
April	7%
May	5%
June	9%
July	8%
August	17%
September	32%
October	36%
November	27%
December	26%

Sources of gifts

Direct from manufacturer	48%
Incentive representative	34%
Advertising specialty counselor	29%
Wholesaler or distributor	24%
Retail store	16%
Incentive firm, jobber, stamp company	15%
Mail-order firm	13%

How are gifts delivered?

Salesperson	56%
Executive	40%
Parcel delivery service	27%
Mail	24%
Messenger	5%

Where are gifts presented?

Recipient's place of business	64%
Recipient's home	29%
Donor's place of business	28%

However, attempts at controlling costs are only partially successful at best. Companies responding to the current survey will spend 3.2 percent more this year for their gifts. For those who reported expenditure estimates for 1986 and 1987, the average budget is about $13,000 per company. In their planning for the near future, 21 percent expect to pay higher prices for gifts this year, while 5 percent plan to spend less per gift.

Despite some efforts to hold back, unit cost per gift is rising. The average in this year's survey took a big jump, to $56.14 from $41.89 a year ago. The median, which had declined to $16.50 last year from $18 a year earlier, has climbed to $20. These results are based on prices cited by 459 of the 494 executives reporting in this year's survey.

Concentrating on major customers appears to be a leading means of reducing total gift numbers. That option, always the leading choice in the list of recipients, is favored by 65 percent of executives, up from 59 percent last year. The choice of "all or most customers" dipped to 22 percent from 24 percent.

Employees have not been subject to cutbacks: Half of all respondents give gifts to them, up from 42 percent last year. Other recipients include: sales prospects, 20 percent; stockholders, 3 percent, and others, 7 percent.

Overall, the number of recipients is up. This year's reports average 499 gifts, up from 340. However, this is a highly variable figure, subject to distortion by a handful of big givers. Two years ago, for example, the average was 698. A truer measure, the median, shows no change. It has remained at 100 for three years.

The shifting of emphasis away from Christmas giving points out closer ties with sales activity. This is perhaps most noticeable in the question of who presents a gift. Here, salespeople have had an expanding role since 1984.

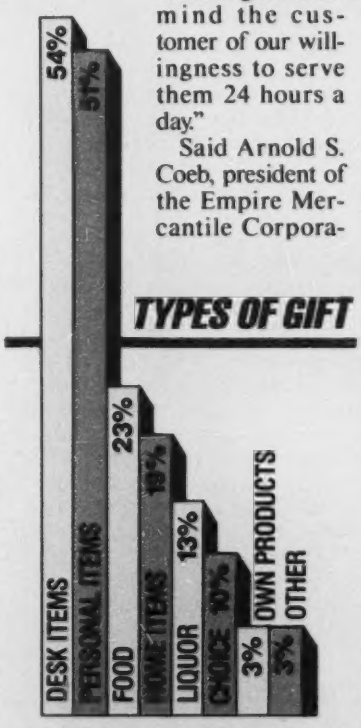
This year, salespeople delivered gifts for 56 percent of the executives in the survey, up from 49 percent last year. After dropping off for three years, executives as givers themselves are up to 40 percent.

In major gift programs, it is possible to lose the personal aspect of gift giving. A sure way to maintain the personal flavor is to personalize the gift item by imprinting the recipient's name or initials on it. That practice, which had declined for several years, is coming back. The percentage of survey respondents who say they personalize gifts has been rising since 1984 and currently rests at 28 percent.

Many more executives favor a different sort of imprint—their company name. This practice, which obscures the line between advertising specialty and business gift, is the choice of 66 percent, one point higher than a year ago.

Strong reminder value is what many gift givers look for, and desk accessories are among those items that fit the bill. Pen and pencil sets, digital clocks and knives are among the under-$25 gifts favored by K. George Bournazian, sales manager for the General Electric Company appliance service, North Bergen, N.J. "Gifts are given as low-value thanks for business received and are usually of a personal nature," Bournazian noted. "Our company logo and telephone numbers are imprinted on such gifts to remind the customer of our willingness to serve them 24 hours a day."

Said Arnold S. Coeb, president of the Empire Mercantile Corpora-



TOTALS MORE THAN 100% BECAUSE OF MULTIPLE RESPONSES

TOP CHOICES IN SURVEY

Pen	14%	Watch	4%
Clock	12%	Candy	3%
Desk set	10%	Cheese	3%
Pen/pencil set	9%	Golf item	3%
Calculator	8%	Hat/cap	3%
Calendar	8%	Jacket	3%
Food basket	8%	Liquor	3%
Cup mug	5%	Portfolio/briefcase	3%
Diary	4%	Television	3%
Radio/tape player	4%	Wine	3%

tion, a New York wholesaler: "Business gifts are an accepted method of thanking the customer for business and friendship in the past year. They help us to stay in contact." Coeb chooses gifts like desk pads and frames ranging in price from $4 to $30, and they are usually imprinted.

An advertising imprint is not the only way to gain reminder value, according to William E. Neuenfeld, sales manager of the Zenith Video Tech Corporation, Franklin Park, Ill. Neuenfeld gives major customers desk planners and other items personalized with the recipient's name. This, he said, "reminds the customer you are thinking of them. The proper item can make contact easy."

Personal items like radios and umbrellas are used without imprint by Noel Prager, vice president of the Nassau Research Corporation, North Brunswick, N.J. Prager gives several hundred items in the $5 to $15 range to major customers. "It is a way to express our appreciation for their choosing us to do business with," he noted. "It's a gesture of good will, and since it's not of a very high value, there is basically no obligation intended or implied. Usually a gesture of good will causes the receiver to reciprocate with what he has to offer—an order."

More expensive gifts like crystal art, silver items and leather goods are given to major customers by Donald D. Moseley, executive vice president of Jasper Textiles Inc., Lumberton, N.C. Moseley selects "those customers who we find to be a pleasure and take professional pride in dealing with. Gifts are selected not by cost alone, but for their lasting appeal and reflection on us as a company that puts some thought beyond price into our gift selection."

One measure of success may be having the customer turn the tables on you, as E.J. McCabe, president of Design Impressions, Hudson, Ohio, reported. "After a couple of years, one of the customers started sending us a gift, writing thanks for your service,'" McCabe said. "He does it every year now."

Thanks, good will and friend-

CONTINUED ON PAGE 53

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BUSINESS GIFTS

CONTINUED FROM PAGE 36

ship are the keys in the giving of business gifts, despite any ancillary benefits that may accrue. At least that is still the view of most survey respondents.

Employee gifts like travel alarm clocks and golf shirts are favored by Don D. Hudson, assistant vice president of Duplex Products Inc., Sycamore, Ill. "In my division of our company, manufacturing, a small gift is given to each participant at our annual meeting as a memento of the occasion and a token of appreciation for their efforts in the past year," Hudson noted.

Thanks for a job well done, often given at vacation time, is the purpose of gifts of wristwatches, jackets, sweaters and similar personal items at Connecticut Driveshaft, Milford, Conn. "Everybody likes gifts, no matter how small," noted A.D. Bua, vice president of marketing. "It's another way of sharing the wealth. I must own 20 jackets, sweaters, etc., with company logos."

Bua is not average in that respect. For the most part, these givers are not significant receivers. Asked in the survey how many gifts they personally receive per year, they answered an average of 9.6—with a median of only five gifts.

Corporate anti-gift policies are a factor among large companies and government bodies, which shun gifts as potentially improper. Givers in this survey said they see such policies in an average of 31 percent of their customers.

Donald Borzak, president of the Service Web Offset Corporation, Chicago, sees no evidence of improper influence on either side in gift exchange. "We give gifts—relatively small—to say thank-you for business during the year," Borzak said. "I believe people accept them in that spirit, and so good will is generated. We never give large, inappropriate gifts."

Only 11 percent of the executives surveyed believe that gifts they received were ever intended to influence them improperly. Even fewer —7 percent—think their gifts to others have ever improperly influenced a buying decision. ■

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